

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates

Docket No. MC2018-125

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates 13 (MC2018-125)

Docket No. CP2018-170

PUBLIC REPRESENTATIVE COMMENTS ON
REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD
GLOBAL EXPEDITED PACKAGE SERVICES – NON-PUBLISHED RATES 13 (GEPS -
NPR13) TO THE COMPETITIVE PRODUCTS LIST
(February 23, 2018)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's notice initiating this docket.¹ In that notice, the Commission established the above referenced dockets to receive comments from interested persons, including the undersigned Public Representative, on a Request of The United States Postal Service to add Global Expedited Package Services – Non-Published Rates 13 (GEPS – NPR 13) contracts to the competitive products list.² The Request includes a redacted copy of a model GEPS – NPR 13 contract (Contract) which is the subject of Docket No. CP2018-170 together with several supporting documents filed as attachments.³

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, February 16, 2018.

² Request of The United States Postal Service to Add Global Expedited Package Services – Non-Published Rates 13 (GEPS – NPR 13) to the Competitive Products Lists and Notice of Filing GEPS – NPR 13 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, February 15, 2018 (Request)

³ The Request contains the following attachments: An application for non-public treatment of materials filed under seal (Attachment 1); a redacted version of Governors' Decision No. 11-6 (Attachment 2A); section 2510.8 Global Expedited Package Services (GEPS) – Non-Published Rates, as it currently appears on the Commission's website, with one strikethrough and a few underlined edits (Attachment 2B); a redacted version of the GEPS – NPR 13 Management Analysis (Attachment 2C); maximum and minimum prices under the Contract (Attachment 2D); the certified statement of prices required by 39 C.F.R. 3015.5(c)(2) (Attachment 2E); a Statement of Supporting Justification filed pursuant to 39 C.F.R. 3022.32 (Attachment 3); and a redacted version of the Contract;

Redacted supporting financial models were filed separately as Excel files, and unredacted versions of all redacted documents were filed under seal.

The Postal Service states that “[t]he GEPS – NPR 13 model contract is similar to the GEPS – NPR 12 model contract that the Commission reviewed in Order No. 3865.” Request at 6-7. The Postal Service cites several differences between GEPS – NPR 12 and GEPS – NPR 13 model contracts but states that the “changes do not affect the general market characteristics of the GEPS – NPR product, which continues to be designed for small- and medium-sized business mailers wishing to use international expedited delivery services for their correspondence and order fulfillment.” *Id.* at 7. The Postal Service further states that the major differences between the GEPS – NPR 12 and GEPS - NPR 13 products are the management analysis, the financial model, and the rates themselves. *Id.*

Analogous to the Commission’s directives⁴ regarding the GEPS – NPR 12 product, the Postal Service anticipates filing GEPS – NPR 13 contracts with mailers in this docket in a similar manner to the Postal Service’s filings of GEPS – NPR 12 contracts. Request at 7. Under Order No. 3865, the Postal Service was required to file copies of each GEPS – NPR 12 contract with the Commission within “a reasonable time, e.g. within 10 days of the effective date of the contract.” Order No. 3865 at 8.

II. COMMENTS

Under 39 U.S.C. § 3642(b), the criteria governing the Commission’s determination regarding the addition of a product to the competitive products list are: (1) whether the product qualifies as market dominant; (2) whether the product is covered by the postal monopoly and therefore excluded from classification as a competitive product; and (3) whether certain additional considerations, including private sector competition, the impact on small businesses, and the views of product users, warrant classification other than that supported by criteria (1) and (2).

⁴ See Docket Nos. MC2017-105 & CP2017-152, Order No. 3865, Order Concerning the Addition of Global Expedited Package Services – Non-Published Rates Contract 12 (GEPS – NPR 12) to the Competitive Product List, April 20, 2017 (Order No. 3865) at 8.

Pursuant to 39 U.S.C. § 3633(a), the prices set by the Postal Service must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and ensure that all competitive products collectively cover an appropriate share of the institutional costs of the Postal Service.

After reviewing the Postal Service's Request together with the documents and financial models that were filed with the Commission, the Public Representative agrees that the proposed GEPS – NPR 13 product satisfies the requirements for inclusion on the competitive product list. In addition, the prices set in GEPS – NPR 13 contracts should generate sufficient revenues to cover costs and therefore satisfy 39 U.S.C. § 3633(a).

Compliance with 39 U.S.C. § 3642: The Postal Service makes a number of assertions that address the requirements of 39 U.S.C. § 3642(b). First, the Postal Service states that the GEPS – NPR 13 product does not qualify as market dominant because it “consists of sales of PMEI, PMI, and FCPIS, which are a small part of all international revenue received by the Postal Service” and that two major competitors, Federal Express and United Parcel Service, are competitors in the international package delivery market. Attachment 3 at 3-4. The Postal Service also states that “PMEI, PMI, and FCPIS are all classified as competitive products” and fall outside the scope of the Private Express Statutes. *Id.* at 4. Finally, the Postal Service asserts that neither considerations relating to private sector competitors, the views of customers, nor small businesses preclude inclusion of the GEPS – NPR 13 product on the competitive products list. *Id.* at 4-6. These assertions appear reasonable. Accordingly, the Public Representative concludes that the GEPS – NPR 13 product warrants classification as a competitive product.

Compliance with 39 U.S.C. § 3633(a): The Postal Service provides financial models supporting its assertion that the GEPS – NPR 13 product should generate sufficient revenue to cover costs and ensure that no cross-subsidization of this product by market dominant products will occur. *Id.* at 2. Further, it asserts that the level of cost coverage of the new GEPS – NPR 13 product should cover an appropriate share of

institutional costs in addition to covering its own attributable costs. *Id.* The Public Representative finds these assertions reasonable.

The Public Representative respectfully submits the preceding comments for the Commission's consideration.

Timothy J. Schwuchow
Public Representative

901 New York Ave. NW
Washington, DC 20268-0001
(202) 719-0738
timothy.schwuchow@prc.gov